



Donegal Investment Group plc
Interim results for the six months ended 30 June 2013

29 August 2013: Donegal Investment Group plc reports results for the six months ended 30 June 2013

Financial Performance (pre-exceptional)		H1 2013	H1 2012	Change
Turnover – continuing operations	€'000	45,351	35,149	Up 29%
Adjusted operating profit/(loss) *	€'000	843	(700)	Up €1.5m
Profit before tax – continuing operations	€'000	962	150	Up €0.8m
Profit for period after tax – continuing operations	€'000	722	246	Up €0.5m
Operating cash flow before interest and tax	€'000	1,017	(386)	Up €1.4m
EPS	Cent	7.2	2.7	Up 4.5c
EPS (Adjusted)**	Cent	8.4	4.2	Up 4.2c
Dividend per share (declared)	Cent	7.0	7.0	-
Net bank debt	€'000	18,310	21,633	Down €3.3m
Net asset value per share ***	€	5.69	5.78	Down €0.09

**Adjusted operating profit before the impact of change in fair value of investment properties*

*** Adjusted earnings before the impact of change in fair value of investment properties in Group & associates, the related deferred tax, CGT rate change in 2012 and exceptional costs*

****Net assets are total equity attributable to equity holders of the Company*

H1 2013 Summary – pre-exceptional

- Group Turnover increased by 29% to €45.4m. All operating divisions delivered double digit growth. Produce increased by 18% to €15.1m and Food-Agri increased by 35% to €30.3m driven by excellent volume growth in Speciality Dairy and our animal feeds business
- Profit for the period after tax increased by €0.5m to €0.7m. This was achieved despite the knock on effect of the poor harvest in the second half of 2012 and foreign exchange losses in the period
- Share of results from Associates was €1.4m, slightly down on 2012
- Net Finance expenses increased by €0.5m primarily due to foreign exchange losses
- Net Debt decreased by €3.3m
- Adjusted EPS increased by 4.2 cents to 8.4 cents
- Interim Dividend of 7.0 cents maintained

H1 2013 Performance Review

The board is very pleased with the growth in turnover of 29%, with all Group businesses broadly on plan at the half year as indicated at our recent AGM. We have a number of businesses focused on growth, others focused on cash generation and we are pleased with our position at the half year.

Net asset value per share fell by 9 cent primarily as a result of the adverse effect of sterling on the Group balance sheet as at 30 June.

An interim dividend of 7.0 cent per share will be paid on the 6 December 2013 to shareholders on the register on the 23 November 2013.

Summary Operations Review

Produce

The 2012 performance of the Produce Division was severely impacted by the exceptionally poor weather experienced in 2012, causing a delay in the harvest by several weeks as well as reducing the supply of suitable quality seed potato to meet customer deadlines. In the first half of 2013 turnover increased from €12.8m to €15.1m, an increase of 18%. At the half year end, we were satisfied that plantings were in line with plan in terms of acreage and this continues to be the case. As in prior years though, full year performance will be dependent on yields as well as pricing achieved with growers and customers in the final quarter of the year, when approximately 75% of profits are earned.

Food-Agri

We are very pleased with the performance of our Food-Agri division. Top line growth was 35% which was driven by increased demand for animal feed at farm level due to the adverse weather conditions in the first half of the year. In addition the Speciality Dairy business has performed very well in delivering growth in the UK market in which we are now focussed. Monthly volumes and revenues continue to increase from both existing customers and new listings and we expect this trend to continue.

Associates

The main investment in associates is in Monaghan Middlebrook Mushrooms. Performance from the Group's share of associates was satisfactory. During the period, Monaghan Middlebrook Mushrooms agreed to acquire Prime Champ, an integrated mushroom business headquartered in the Netherlands. This business is currently being integrated and will significantly increase Monaghan's overall presence in mainland Europe.

Finance

The Group has committed facilities of €22.8m. The key facility is a revolving debt facility of €11m which has been extended to 2015. Net Debt at 30 June was €18.3m down from €21.6m at the same date last year.

Outlook

The key determinant of performance in the second half and for the year overall will be the result from the Produce Division. The Board currently expects full year adjusted earnings per share to be at or above 50 cents per share. This is based on the Board's expectations for the second half of 2013 including the seasonal performance and contribution of its Produce Division, continued volume growth in Speciality Dairy and a solid second half performance from its animal feeds business.

Geoffrey Vance
Chairman

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Unaudited condensed consolidated interim statement of comprehensive income
For the six months ended 30 June 2013

	Note	2013 Pre- exceptional Unaudited €'000	Exceptional Unaudited €'000	2013 Total Unaudited €'000	2012 Unaudited €'000
Continuing operations					
Revenue	5	45,351	-	45,351	35,149
Cost of sales		(37,149)	-	(37,149)	(29,002)
Gross profit		8,202	-	8,202	6,147
Other income		490	-	490	386
Other expenses		(157)	-	(157)	-
Distribution expenses		(2,956)	-	(2,956)	(2,648)
Administrative expenses		(4,886)	(51)	(4,937)	(4,585)
Profit/(loss) from operating activities		693	(51)	642	(700)
Finance income		199	-	199	701
Finance expenses		(1,360)	-	(1,360)	(1,356)
Net finance expense		(1,161)	-	(1,161)	(655)
Share of profit of associates (net of tax)		1,430	(290)	1,140	1,505
Profit before income tax		962	(341)	621	150
Income tax (expense)/credit		(240)	-	(240)	96
Profit for the period – continuing operations		722	(341)	381	246
Discontinued operations					
Profit from discontinued operations		-	-	-	7,326
Profit for the period		722	(341)	381	7,572
Other comprehensive income					
Items that are or may be reclassified subsequently to profit & loss:					
Foreign exchange translation differences for foreign operations				(181)	(64)
Foreign exchange translation differences for associate undertakings				(513)	(183)
Items that will never be reclassified subsequently to profit & loss:					
Defined benefit plans actuarial losses - net of tax				-	(370)
Other comprehensive income for period, net of income tax				(694)	(617)
Total comprehensive income for the period				(313)	6,955
Profit attributable to:					
Equity holders of the Company				388	7,604
Non controlling interest				(7)	(32)
				381	7,572

Unaudited condensed consolidated interim statement of comprehensive income (continued)
For the six months ended 30 June 2013

	2013	2012
	€'000	€'000
Total comprehensive income attributable to:		
Equity holders of the Company	(323)	6,970
Non-controlling interest	10	(15)
	<u>(313)</u>	<u>6,955</u>
Earnings per share		
Basic earnings per share (euro cent)		
Continuing	3.8c	2.7c
Discontinued	<u>-</u>	<u>72.3c</u>
	<u>3.8c</u>	<u>75.0c</u>
Diluted earnings per share (euro cent)		
Continuing	3.7c	2.7c
Discontinued	<u>-</u>	<u>71.7c</u>
	<u>3.7c</u>	<u>74.4c</u>

Unaudited condensed consolidated interim statement of financial position
As at 30 June 2013

	Note	30 June 2013 Unaudited €'000	31 Dec 2012 Audited €'000	30 June 2012 Unaudited €'000
Assets				
Property, plant and equipment	8	15,272	16,025	16,358
Goodwill		3,633	3,633	3,633
Intangible assets		540	534	523
Investment property	9	24,975	25,675	25,851
Investments in associates		22,023	21,549	19,356
Other investments		638	667	965
Trade and other receivables		191	192	192
Total non-current assets		67,272	68,275	66,878
Inventories		2,985	5,409	3,113
Biological assets		748	-	936
Trade and other receivables		26,856	38,603	27,058
Current tax		-	-	370
Total current assets		30,589	44,012	31,477
Total assets		97,861	112,287	98,355
Equity				
Issued capital		1,337	1,337	1,337
Share premium		2,975	2,975	2,975
Other reserves		504	1,495	1,163
Retained earnings		52,874	52,486	53,176
Total equity attributable to equity holders of the company		57,690	58,293	58,651
Non – controlling interest		685	675	814
Total equity		58,375	58,968	59,465
Liabilities				
Loans and other borrowings		14,131	14,784	5,442
Employee benefits		-	-	669
Derivatives		4,054	3,856	1,709
Deferred income		881	1,020	1,032
Deferred tax liabilities		4,329	4,316	3,929
Total non-current liabilities		23,395	23,976	12,781
Loans and other borrowings		1,836	2,905	14,396
Current tax		528	240	-
Trade and other payables		11,162	21,880	9,918
Bank overdraft		2,565	4,318	1,795
Total current liabilities		16,091	29,343	26,109
Total liabilities		39,486	53,319	38,890
Total equity and liabilities		97,861	112,287	98,355

Unaudited condensed consolidated statement of changes in equity

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Revalua- tion reserves €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Minority Interest €'000	Total Equity €'000
Balance at 1 January 2013	1,337	2,975	(2,715)	(348)	4,169	389	52,486	58,293	675	58,968
Total comprehensive income for the period										
Profit/(loss)	-	-	-	-	-	-	388	388	(7)	381
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(198)	-	-	-	-	(198)	17	(181)
Currency translation differences for associate undertakings	-	-	(513)	-	-	-	-	(513)	-	(513)
Other comprehensive income	-	-	(711)	-	-	-	-	(711)	17	(694)
Total comprehensive income for the period	-	-	(711)	-	-	-	388	(323)	10	(313)
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners										
Shared based payments lapsed	-	-	-	-	-	(132)	-	(132)	-	(132)
Acquisition of treasury shares	-	-	-	(148)	-	-	-	(148)	-	(148)
Total contributions by and distributions to owners	-	-	-	(148)	-	(132)	-	(280)	-	(280)
Balance at 30 June 2013	1,337	2,975	(3,426)	(496)	4,169	257	52,874	57,690	685	58,375

Unaudited condensed consolidated statement of changes in equity

	Share capital €'000	Share premium €'000	Trans- lation reserve €'000	Reserve for own shares €'000	Revalua- tion reserves €'000	Share option reserve €'000	Retained earnings €'000	Total €'000	Minority Interest €'000	Total Equity €'000
Balance at 1 January 2012	1,337	2,975	(2787)	(348)	4,169	374	45,942	51,662	829	52,491
Total comprehensive income for the period										
Profit/(loss)	-	-	-	-	-	-	7,604	7,604	(32)	7,572
Other comprehensive income										
Foreign currency translation differences for foreign operations	-	-	(264)	-	-	-	-	(264)	17	(247)
Defined benefit plan actuarial losses, net of tax	-	-	-	-	-	-	(370)	(370)	-	(370)
Other comprehensive income	-	-	(264)	-	-	-	(370)	(634)	17	(617)
Total comprehensive income for the period	-	-	(264)	-	-	-	7,234	6,970	(15)	6,955
Transactions with owners recorded directly in equity										
Contributions by and distributions to owners										
Shared based payments	-	-	-	-	-	19	-	19	-	19
Total contributions by and distributions to owners	-	-	-	-	-	19	-	19	-	19
Balance at 30 June 2012	1,337	2,975	(3,051)	(348)	4,169	393	53,176	58,651	814	59,465

Condensed consolidated interim statement of cash flows
For the six months ended 30 June 2013

	Note	2013 Unaudited €'000	2012 Unaudited €'000
Operating activities			
Profit for the period		381	7,572
Adjusted for			
Depreciation		675	735
Amortisation of intangible assets		42	26
Changes in fair value of investment property		150	-
Defined benefit pension charge		-	20
Net finance costs		1,161	655
Gain on disposal of operation		-	(7,520)
Share of profit of associates		(1,140)	(1,505)
Gain on sale of property, plant and equipment		(9)	(11)
Loss on sale of investment property		7	-
Equity settled share-based payment transactions		-	19
Defined benefit pension contributions paid		-	(39)
Income tax expense/(credit)		240	(96)
		1,507	(144)
Change in inventories/biological assets		1,558	579
Change in trade and other receivables		7,600	(8,367)
Change in trade and other payables		(9,648)	7,546
		1,017	(386)
Interest paid		(309)	(458)
Income tax paid		14	(318)
Net cash from operating activities		722	(1,162)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		49	22
Acquisition of controlling interest		-	(180)
Deferred consideration paid		(103)	-
Acquisition of property, plant and equipment		(136)	(392)
Interest received		23	77
Disposal of operation		-	12,973
Deferred consideration received		2,500	-
Dividends received		26	2
Acquisition of intangibles		(53)	(79)
Proceeds from sale of investment property		530	-
Repayment of loan by associate		130	390
Net cash from investing activities		2,966	12,813
Cash flows from financing activities			
Payment of finance lease liabilities		(83)	(54)
Repayment of borrowings		(1,651)	(1,126)
Acquisition of treasury shares		(148)	-
Net cash from financing activities		(1,882)	(1,180)
Net increase in cash and cash equivalents	11	1,806	10,471
Cash and cash equivalents at 1 January		(4,318)	(12,200)
Effect of exchange rate fluctuations on cash held		(53)	(66)
Cash and cash equivalents at 30 June		(2,565)	(1,795)

(1) Reporting entity

Donegal Investment Group Plc (the “Company”) (formerly Donegal Creameries plc) is a company domiciled in Ireland. The condensed consolidated interim financial statements of the Group as at and for the six months ended 30 June 2013 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associates and jointly controlled entities. The consolidated financial statements of the Group as at and for the year ended 31 December 2012 are available upon request from the Company’s registered office at Ballyraine, Letterkenny, County Donegal.

Following the passing of resolutions relating to the name change which were proposed to shareholders at the Company’s Annual General Meeting held on 3 July 2013, the Board of Donegal Creameries plc received the approval of the Registrar of Companies in Ireland to change its name to Donegal Investment Group plc effective 8 July 2013.

(2) Statement of compliance

These condensed consolidated interim financial statements have been prepared in accordance with international financial reporting standard (IFRS) IAS 34 *Interim Financial Reporting* as adopted by the EU. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the consolidated annual financial statements of the Group, prepared in accordance with IFRS as adopted by the EU (EU IFRS) as at and for the year ended 31 December 2012. The financial information presented herein does not amount to statutory financial statements that are required by company law to be annexed to the annual return of the company. The financial statements for the financial year ended 31 December 2012 are annexed to the annual return to be filed with the Registrar of Companies. The audit report on those EU IFRS financial statements was not qualified.

The financial statements are presented in euro, which is the company’s functional currency. All financial information presented in euro is rounded to the nearest thousand. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments, financial assets classified as available-for-sale and investment property. These condensed consolidated interim financial statements were approved by the Board of Directors on 28 August 2013.

(3) Accounting policies

The accounting policies and methods of computation adopted in the preparation of the Group Condensed Consolidated Interim Financial Statements are consistent, except as noted below, with those applied in the Annual Report for the financial year ended 31 December 2012 and are described in those financial statements.

Except as described below, the Group did not adopt any new International Financial Reporting Standards (IFRS) or interpretations in the period that have had a material impact on the Group Condensed Interim Financial Statements for the half year.

(a) Change in accounting policy

As of 1 January 2013, the Group has changed its accounting policies in the following areas which do not have a material effect on the results or financial position of the Group:

Amendments to IFRS 13	Fair Value Measurement
Amendments to IAS 19	Employee Benefits (2011)
Annual Improvements to IFRS’s 2009-2011 Cycle	

Presentation of Items of Other Comprehensive Income (Amendments to IAS 1):

As a result of the amendments to IAS 1, the Group has modified the presentation of items of other comprehensive income in its consolidated statement of comprehensive income, to present separately items that may be reclassified to profit or loss in the future from those that would never be reclassified. Tax impacts have also been so allocated. Comparative information has been re-presented accordingly. The adoption of the Amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

(4) Estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2012 (in respect of the carrying value of goodwill, deferred tax, financial assets and liabilities).

(5) Segment Information

IFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports that are regularly reviewed by the chief operating decision maker (CODM) in order to allocate resources to the segments and to assess their performance.

Following the sale of the agri stores and liquid milk business, the Group now comprises the following reportable business segments:

- Produce: The growing, sales and distribution of seed potatoes and organic produce.
- Food-Agri: The manufacture, sale and distribution of farms inputs and dairy products and sale of food-agri property assets.
- Associates: Associates is comprised of our existing investments in Monaghan Middlebrook Mushrooms, North Western Livestock Holdings and Leapgrange.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment operating profit/(loss) as included in the internal management reports that are reviewed by the Group's CODM, being the Board. Segment operating profit is used to measure performance; as such information is the most relevant in evaluating the results of the Group's segments. Segment results, assets and liabilities include all items directly attributable to a segment. Segment capital expenditure is the total amount incurred during the period to acquire segment assets that are expected to be used for more than one accounting period.

Notes to the condensed consolidated interim financial statements

(5) Segment Information (continued)

Business segments (continued)

	Produce		Food-Agri		Associates		Total-Group	
	2013	2012	2013	2012	2013	2012	2013	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Total revenues	15,090	12,799	30,261	22,350	75,569	72,635	120,920	107,784
Less : Revenue from associates	-	-	-	-	(75,569)	(72,635)	(75,569)	(72,635)
Revenue – continuing operations	15,090	12,799	30,261	22,350	-	-	45,351	35,149
Inter-segment revenue	-	-	-	-	-	-	-	-
Segment result before exceptional items	(53)	(633)	746	(28)	1,430	1,505	2,123	844
Inter-segmental charges	-	-	186	-	(186)	-	-	-
Segmental result from continuing operations before exceptional items	(53)	(633)	932	(28)	1,244	1,505	2,123	844
Exceptional items							(341)	-
Net finance expense							(1,161)	(655)
Income tax (expense)/benefit							(240)	96
Share option expense							-	(19)
Current pension service cost							-	(20)
Profit for the year – continuing operations							381	246

There were no inter-segment transactions in the period (2012: nil)

Notes to the condensed consolidated interim financial statements

(5) Segment Information (continued)

Business segments (continued)

	Produce		Food-Agri		Associates		Total-Group	
	2013	2012	2013	2012	2013	2012	2013	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Segment assets	14,477	16,361	61,361	62,638	-	-	75,838	78,999
Investments in associates	-	-	-	-	22,023	19,356	22,023	19,356
Total assets	14,477	16,361	61,361	62,638	22,023	19,356	97,861	98,355
Segment liabilities	4,020	3,715	8,551	7,235	-	-	12,571	10,950
Bank overdraft (unallocated)							2,565	1,795
Derivatives (unallocated)							4,054	1,709
Loans and borrowings (unallocated)							15,967	19,838
Employee benefits (unallocated)							-	669
Deferred tax (unallocated)							4,329	3,929
Total liabilities							39,486	38,890
Capital expenditure	82	80	107	391	-	-	189	471
Depreciation and amortisation	255	266	462	495	-	-	717	761
Impairment of investment property and other assets	-	-	179	330	-	-	179	330
	Island of Ireland		Europe		Rest of World		Consolidated	
	2013	2012	2013	2012	2013	2012	2013	2012
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue from external customers	39,108	29,375	5,917	5,553	326	221	45,351	35,149
Segment assets	91,603	88,862	5,951	8,956	307	537	97,861	98,355
Capital expenditure	167	407	21	61	1	3	189	471

Notes to the condensed consolidated interim financial statements

(5) Segment Information (continued)

Entity-wide disclosures

Section 1: Information about products and services

The Group's revenue from external customers in respect of its principal products and services is analysed in the disclosures above.

Section 2: Information about geographical areas and customers

The Group has a presence in several countries worldwide. The revenues from external customers and non-current assets (as defined in IFRS 8) attributable to the country of domicile of all foreign operations are noted above.

Seasonality

The Group's Produce and Food-Agri divisions are second half weighted. This weighting is primarily driven by weather and global buying patterns.

The Group is not reliant on any single customer for greater than 10% of its revenues.

(6) Earnings per share

The calculation of basic and diluted earnings per share is set out below:

Profit attributable to ordinary shareholders

	2013	2012
	Continuing operations	Continuing operations
	€'000	€'000
Profit for the period	381	7,572
Profit attributable to ordinary shareholders	388	7,604

***Weighted average number of ordinary shares
In thousands of shares***

	2013	2012
Weighted average number of ordinary shares in issue for the year	10,286	10,286
Weighted average number of treasury shares	(164)	(144)
Denominator for basic earnings per share	10,122	10,142
Effect of share options in issue	87	65
Weighted average number of ordinary shares (diluted) at 30 June	10,209	10,207

During the period, the Group purchased 38,776 treasury shares at a total purchase price of €148,000 including transaction costs, in a number of transactions, intended to be used to settle the Group share option scheme. The weighted average purchase price per share was €3.79.

(6) Earnings per share (continued)

Earnings per share	2013	2012
Basic earnings per share (euro cent)		
Continuing	3.8c	2.7c
Discontinued	-	72.3c
	3.8c	75.0c
Diluted earnings per share (euro cent)		
Continuing	3.7c	2.7c
Discontinued	-	71.7c
	3.7c	74.4c

(7) Dividends

No dividends were paid in either the 6 months ended 30 June 2013 or the 6 months ended 30 June 2012. The Board has proposed the payment of an interim dividend of 7.0 cent per share on 6 December 2013 (7.0 cent per share in 2012) to holders of shares on 15 November 2013.

A final dividend of 9.0 cent per share for the year ended 31 December 2012 was paid on 23 August 2013 to those shareholders on the register on 2 August 2013.

(8) Property, plant and equipment

Acquisitions and disposals

During the six months ended 30 June 2012, the Group acquired assets with a cost of €189,000 (six months ended 30 June 2012: €392,000). Assets with a net book value of €40,000 were disposed of during the six months ended 30 June 2013 (six months ended 30 June 2012: €11,000), resulting in a gain on disposal of €9,000 (six months ended 30 June 2012: gain of €11,000).

(9) Investment Property

	2013	2012
	€'000	€'000
Balance at 1 January	25,675	25,833
Change in fair value	(150)	-
Disposals	(530)	-
Effect of movement in exchange rates	(20)	18
Balance at 30 June	24,975	25,851

Investment property includes the Grianan estate, student residences in Ballyraine, the Oatfield building in Letterkenny, the Bridgend property and development land in both Donegal and Northern Ireland.

(9) Investment Property (continued)

Acquisitions and disposals

During the six months ended 30 June 2013, the Group did not acquire any investment properties (six months ended 30 June 2012: €Nil). The Group disposed of investment property to the value of €530,000 during the six months ended 30 June 2013 (six months ended 30 June 2012: €Nil) resulting in a loss on disposal of €7,000 (six months ended 30 June 2012: €Nil).

(10) Related parties

Transactions with key management personnel

Key management personnel receive compensation in the form of short-term employee benefits, post-employment benefits and equity compensation benefits. Key management personnel received total compensation of €180,653 for the six months ended 30 June 2013 (six months ended 30 June 2012: €305,000). Total remuneration is included in "administration expenses."

Other related party transactions

	Transaction value		Balance outstanding	
	Period ended		As at	
	30 June		30 June	
	2013	2012	2013	2012
	€'000	€'000	€'000	€'000
Sale of goods and services				
Sales by group to directors	284	195	140	69

(11) Net debt – bank overdraft

	€
Balance at 31 December 2012	(4,318)
Net increase in cash and cash equivalents	3,540
Effect of exchange rate fluctuations	(53)
Repayment of borrowings	(1,651)
Repayment of finance Leases	(83)
	<hr/>
Balance at 30 June 2013	(2,565)
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(12) Capital Commitments

At 30 June 2013 there were no capital commitments (2012: €55,000) authorised by the directors but not provided for in the financial statements.

(13) Financial instruments

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	30 June 2013	
	Carrying amount €'000	Fair value €'000
Non current financial assets:		
Available-for-sale financial assets	638	638
Trade and other receivables	191	191
Current financial assets:		
Trade and other receivables	26,856	26,856
Non current financial liabilities:		
Derivatives - option granted over investment in associate	(4,054)	(4,054)
Derivatives – deferred consideration	(738)	(738)
Loans and borrowings	(14,131)	(14,131)
Current financial liabilities:		
Loans and borrowings	(1,836)	(1,836)
Trade and other payables	(11,162)	(11,162)
Bank overdraft	(2,565)	(2,565)
	(6,801)	(6,801)

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

At 30 June 2013, the Group recognised and measured the following financial instruments at fair value:

	2013 Total €'000	2013 Level 1 €'000	2013 Level 2 €'000	2013 Level 3 €'000
<i>Financial assets</i>				
Available for sale - Unquoted equity investments	638	-	-	638
Derivatives – option granted over investment in associate	(4,054)	-	-	(4,054)
Derivatives – deferred consideration	(738)	-	-	(738)

Notes to the condensed consolidated interim financial statements

(13) Financial instruments (continued)

<i>Additional disclosures for level 3 fair value measurements</i>	2013
Derivatives – option granted over investment in associate	€'000
At beginning of period	(3,856)
Expense recognised in the income statement	(198)
At the end of the period	<u>(4,054)</u>
Available for sale- unquoted equity investments	
At beginning of period	667
Expense recognised in the income statement	(29)
At the end of the period	<u>638</u>
Derivatives – deferred consideration	
At beginning of period	(863)
Paid in the period	125
At the end of the period	<u>(738)</u>

The fair value of the option granted over investment in associate was measured by deriving an enterprise value using an earnings multiple comparable with recent market transactions. The resulting enterprise value was adjusted for the net funds of the investee, and a discount factor applied to reflect the minority interest nature of the investment. The effect of a change to a reasonably possible alternative assumption does not have a significant impact upon Group profit, total assets, or total equity.

The fair value of unquoted investments is based on recent market transactions.

The fair value of deferred consideration is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity using the Group risk free interest rate.

(14) Exceptional items

The Group reports the following exceptional items in the period:

	2013	2012
	€'000	€'000
Restructuring costs (i)	(51)	-
Associate exceptional costs (ii)	(290)	-
Total	<u>(341)</u>	<u>-</u>

- (i) Restructuring costs include redundancy, legal, accounting & taxation advice in respect of costs associated with restructuring the Group
- (ii) Associate exceptional costs include redundancy costs and costs in respect of company acquisitions.

(15) Events after the balance sheet date

There have been no significant events subsequent to the period end, which would require adjustment to, or disclosure in, the interim financial statements.